Huntington

Cross-Shipping Impacts to Huntington Bank
Docket No. OP-1164

The proposed changes and fee structure for cross-shipping have been discussed within our organization. The following areas: Cash Vault Operations, ATM Operations, Cash Position Management, Adjustments/Reconciliation and Finance, met and have documented the following the comments and potential impacts.

- We will be required to consolidate our cash vault inventories within designated Fed Zones. **IMPACT:** Increased inventory levels and increased manual labor expenses. There is also potential for increased transportation costs and many of the responsibilities for the management of inventories are across different business lines and now will need reorganized organizationally.

- We will be required to consolidate the remaining ATM inventories into our existing Cash Vault inventories. Otherwise Fed transactions on the ATM inventory may be considered cross-shipping on the vault inventory activities with the Federal Reserve or vice versa. **IMPACT:** Increased inventory levels and increased manual labor expenses.

- To avoid some of the cross-shipping fees, we will need to analyze the impact if we were to participate in the Custodial Inventory program being tested by the Federal Reserve throughout 2004. If the Fed adopts the program and we chose/are accepted to participate, we will get the benefit of immediate access to $5, $10, and $20 notes that are not on the Huntington's financial books. However, there would be an expense to redesign vault areas to accommodate a separate cash inventory for this purpose. More information is needed to assess the pros and cons to participate. Questions such as the overall benefit, balancing requirements, other options if the custodial inventory program is not implemented, etc. are still unclear. **IMPACT:** Costs would be incurred by Huntington Bank to buy additional locked shelving and redesign of vault area(s) to meet with Federal Reserve requirements. Secondary impact would depend on balancing requirements – may be a staffing impact.

- All commercial client currencies are verified within our organization, however our current policy for our own internal banking offices has been to only fine count $50's and $100's. We would require additional headcount and/or more efficient currency counting/strapping equipment to handle the increased volume to our operations. **IMPACT:** Increased inventory levels while sorting and verification takes place, additional staffing expenses and potentially additional equipment costs.

- Since Huntington only internally operates 2 out of our 12 vaults, we will need to discuss with our offsite vault vendor about the possibility of fine counting all of our internal banking office shipments $10's and higher. Our current cost for verification was based on fine counting 50's and 100's only. All other denominations were used for deposit to the Fed, or shipment back to a banking office. **IMPACT:** Increased costs for outsourced vault processing.

- Quality of cash could be compromised for internal banking offices and ATM shipments. Although internally operated vaults have recently purchased equipment that should ensure only FIT currency would be used, Brinks will be supplying much of the cash needs for the remaining banking offices and ATM network cash replenishments. Using recirculated money that does not meet strict fitness levels, could cause ATM downtime or additional costs for emergency cash transportation. **IMPACT:** Increased risk of ATM downtime and additional armored transportation costs associated with emergency cash shipments or ATM repairs. Frontline impact - customer dissatisfaction.

- Cash level management on a whole will become extremely difficult to manage. Increased ordering along with consolidated inventories will only be efficiently managed if internal cash level management system is able to systematically forecast an accurate total, by denomination, what should ship or be ordered. The current software will also need additional enhancements to be able to accommodate unfit categories. Current settings only are configured for a "fit" category. **IMPACT:** Increased inventory levels and increased manual calculation time to estimate Fed transactions. Potentially, additional programming expenses to have software configuration changes.

- The reports we received from the Federal Reserve as an example of our fees in the proposed cross-shipping scenario, do not accurately reflect the charges we would have incurred at the vault level, since they are not broken down into Fed branches and sub zones. **IMPACT:** Inability to perform accurate cost analysis in finding the least costly alternative

- Cross shipping fee of $5 to $6 per 1,000 notes is extremely over priced. **IMPACT:** We will already have additional expenses to gear up for additional verification steps, staffing increases, higher cash levels, new equipment purchases, potential increase in armored transportation expenses and possible vault redesign to participate in custodial inventory program. The fee of $5 to $6 on top of that is excessive.

- What will the Federal Reserve be doing to ensure that this new policy will be enforced since the current policy hasn't been? How often will the costs be evaluated and/or changed?